

Office of the
Legislative Fiscal Analyst

FY 2003 Budget Recommendations

Joint Appropriations Subcommittee for
Higher Education

Utah Education Network

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1.0 Summary: Utah Education Network

The Utah Education Network (UEN), a partnership of Utah's public and higher education institutions, provides distance learning educational services statewide. It operates the State's two public television stations, KUED-7 and KULC-9; provides closed circuit two-way video services through EDNET; and connects state institutions to each other and the Internet with UtahLINK. Its mission is to "provide the citizens of Utah access to the highest quality, most effective instructional experiences, administrative support services, library services, student services, and teacher resources regardless of location or time."

The Analyst recommends \$19,192,700 for the Utah Education Network, including \$15,190,300 from state tax revenue.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	2,339,400		2,339,400
Uniform School Fund	10,883,400		10,883,400
Income Tax	1,967,500		1,967,500
Federal Funds	3,361,200		3,361,200
Interest Income	400,000		400,000
Transfers	241,200		241,200
Total	\$19,192,700	\$0	\$19,192,700
Programs			
Utah Education Network	16,796,900	615,000	17,411,900
UEN Technology Initiative	615,000	(615,000)	
Satellite Telecom	1,507,500		1,507,500
CEU Distance Learning	273,300		273,300
Total	\$19,192,700	\$0	\$19,192,700
FTE/Other			
Total FTE	110		110

2.0 Issues: Utah Education Network

2.1 FY 2002 Recurring Reductions

Through supplemental budget action, the Legislature rescinded \$388,900 in ongoing state funds from the Utah Education Network (UEN). The Analyst's FY 2003 base reflects these recurring reductions.

2.2 Internal Service Fund Rate Impacts

Department of Administrative Services Internal Service Funds (ISF) provide services to the Utah Education Network on a reimbursable basis. Each year, the ISFs review rates and adjust them for changing costs. For FY 2003, rate impacts will increase UEN's ISF costs by \$2,700. This savings has been accounted for in the Analyst's base.

2.3 Compensation for One More Work Day in FY 2003

The number of work-hours in fiscal year 2003 will be 2088, compared with the 2080 hours budgeted for fiscal year 2002. The cost of that additional day to the Utah Education Network is \$22,800. The Analyst's base includes funding for this extra day.

2.4 Allocation of Prior-Year Market Comparability and Retirement Adjustments

The Legislature provided \$4.6 million in FY 2002 for statewide market comparability adjustments and improved retirement benefits. The appropriation for FY 2002 was centralized, but has been distributed to agencies for FY 2003. The Utah Education Network receives an additional \$500 in the Analyst's base under this transfer.

2.5 Restructuring of Appropriations

Over the past year, UEN has undergone a reorganization to better reflect areas of service. The Analyst recommends restructuring UEN's appropriation to reflect UEN's new management structure. The results of this reorganization are consolidation of line-items and shifting of funding sources for a net zero dollar impact.

3.0 Programs: Utah Education Network

3.1 UEN Main Line-Item

Recommendation The Analyst recommends \$17,411,900 for the Utah Education Network main line item. This amount includes \$13,409,500 from state tax funds and represents a 2.65% increase from FY 2002 Revised Estimated base budget corrected for one-time expenses. This increase is in large-part due to the transfer of formerly separate Technology Initiative funding into UEN's main line-item as discussed below.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	(11,900)	2,396,900	2,385,000
Uniform School Fund	10,883,400		10,883,400
Income Tax	1,923,000	(1,781,900)	141,100
Federal Funds	3,361,200		3,361,200
Interest Income	400,000		400,000
Transfers	241,200		241,200
Total	\$16,796,900	\$615,000	\$17,411,900
Programs			
Administration	556,800	615,000	1,171,800
Public Information	358,300	68,800	427,100
KULC Broadcast	495,400		495,400
Technical Services	10,116,800	1,713,100	11,829,900
Instructional Support	2,758,000		2,758,000
Instructional Delivery	729,700		729,700
UtahLINK	1,781,900	(1,781,900)	
Total	\$16,796,900	\$615,000	\$17,411,900
FTE/Other			
Total FTE	100		100

Purpose

The Utah Education Network provides closed circuit television connectivity and computer local area networks, respectively, for the State's public schools and institutions of higher education. UEN is in the process of merging its two previously separate programs (EdNet and UtahLink) to capitalize on networking efficiencies offered by digital signal transmission.

As part of this convergence, UEN has reorganized its management structure to differentiate between areas of service rather than types of technology. For FY 2003, the Analyst is recommending budget structure changes to mirror this reorganization. The analyst's recommendations include:

- ▶ Expand program listings to tie to management organization;
- ▶ Reflect all UEN revenue in the appropriations bill to better reflect overall size and scope of organization;

- ▶ Merge UEN Main Line Item and Technology Initiative into a single line-item to reflect management practice and allow increased flexibility;
- ▶ Reallocate funding sources to better reflect areas of service, i.e., use General Funds for general purposes, Uniform School Funds for Public Education purposes and Income Tax for Higher Education purposes.

The effective impact of these changes on UEN's main line-item is to increase the program detail listed in the line-item, transfer \$615,000 from the formerly separate Technology Initiative line item, and to shift funding sources from Income Tax to General Fund.

The Analyst's recommendations presume continuation of \$343,300 in on-going reductions authorized by the Legislature in FY 2002 Supplemental budget action.

3.2 Utah Education Network Technology Initiative

Recommendation The Analyst recommends transferring the Technology Initiative line-item into UEN's main line-item.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	615,000	(615,000)	
Total	<u>\$615,000</u>	<u>(\$615,000)</u>	<u>\$0</u>
Programs			
UEN Technology Initiative	615,000	(615,000)	
Total	<u>\$615,000</u>	<u>(\$615,000)</u>	<u>\$0</u>

Purpose A component of the Education Technology Initiative (ETI), the UEN Technology Initiative grant supports network infrastructure for connecting Utah's educational institutions.

The public education community has moved toward block granting and the elimination of categorical programs like the Technology Initiative. At the same time, UEN management folds Technology Initiative funding into overall budgets. These two factors lead the analyst to believe that the appropriation for UEN should be updated to reflect practice and offer increased flexibility.

3.3 Satellite Telecommunications

Recommendation The Analyst recommends a maintenance-of-effort budget for Satellite Telecommunications.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	1,487,700	(1,526,300)	(38,600)
Income Tax	19,800	1,526,300	1,546,100
Total	<u>\$1,507,500</u>	<u>\$0</u>	<u>\$1,507,500</u>
Programs			
Satellite Telecommunications	1,507,500		1,507,500
Total	<u>\$1,507,500</u>	<u>\$0</u>	<u>\$1,507,500</u>
FTE/Other			
Total FTE	5		5

Purpose

The Satellite Telecommunications line item funds higher education's use of commercial geostationary telecommunications satellites for distance learning. It includes satellite transponder lease expenses and ground station capital costs.

The Analyst's budget reorganization recommendations discussed on page 6 impact this line-item by shifting funding sources from General Fund to Income Tax to serve the higher education community.

The Analyst's recommendations presume continuation of \$38,600 in on-going reductions authorized by the Legislature in FY 2002 Supplemental budget action.

3.4 CEU Distance Learning

Recommendation The Analyst recommends a maintenance-of-effort budget for Distance Learning initiatives at the College of Eastern Utah.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	248,600	(255,600)	(7,000)
Income Tax	24,700	255,600	280,300
Total	<u>\$273,300</u>	<u>\$0</u>	<u>\$273,300</u>
Programs			
CEU Distance Education	273,300		273,300
Total	<u>\$273,300</u>	<u>\$0</u>	<u>\$273,300</u>
FTE/Other			
Total FTE	5		5

Purpose The College of Eastern Utah Distance Learning initiative supports maintenance and operation of the school's telecommunications network. The network was put in place through a Star Schools Grant, and is largely operated with dedicated credits revenue.

The Analyst's budget reorganization recommendations discussed on page 6 impact this line-item by shifting funding sources from General Fund to Income Tax to serve the higher education community.

The Analyst's recommendations presume continuation of \$7,000 in on-going reductions authorized by the Legislature in FY 2002 Supplemental budget action.

4.0 Additional Information

4.1 Funding History

	1999	2000	2001	2002	2003
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	2,365,000	2,375,400	2,415,800	2,649,700	2,339,400
General Fund, One-time			(200)	(61,000)	
Uniform School Fund	10,018,100	10,947,600	10,975,000	10,936,800	10,883,400
Uniform School Fund, One-time			2,000,000	2,738,900	
Income Tax				1,967,500	1,967,500
Income Tax, One-time		241	5,300		
Federal Funds			3,346,800	3,318,700	3,361,200
Dedicated Credits Revenue	249,300				
Interest Income			1,084,100	369,000	400,000
Transfers		811,750	(160,200)	(110,100)	241,200
Transfers - Other Funds	247,900				
Beginning Nonlapsing	3,194,300	1,532,341	1,958,200	2,716,200	
Closing Nonlapsing	(1,528,300)	(880,743)	(2,716,200)	(157,600)	
Total	\$14,546,300	\$14,786,589	\$18,908,600	\$24,368,100	\$19,192,700
Programs					
Utah Education Network	12,377,200	12,182,748	16,519,800	22,587,300	17,411,900
UEN Technology Initiative	615,000	615,000	615,000		
USU Satellite Telecom	1,331,700	1,724,365	1,526,500	1,507,500	1,507,500
CEU Distance Learning	222,400	264,476	247,300	273,300	273,300
Total	\$14,546,300	\$14,786,589	\$18,908,600	\$24,368,100	\$19,192,700
Expenditures					
Personal Services	3,856,100	4,918,171	5,720,800	6,878,900	6,624,700
In-State Travel	233,000	295,773	81,200	79,000	79,000
Out of State Travel			200,400	329,500	329,500
Current Expense	7,757,400	6,967,793	1,257,900	1,399,000	1,884,800
DP Current Expense			5,381,000	9,144,700	8,350,800
DP Capital Outlay	615,000	615,000	2,731,300	4,230,300	1,762,500
Capital Outlay	2,084,800	1,989,852	1,402,100	2,345,300	200,000
Other Charges/Pass Thru			2,133,900	(38,600)	(38,600)
Total	\$14,546,300	\$14,786,589	\$18,908,600	\$24,368,100	\$19,192,700
FTE/Other					
Total FTE	76	76	104	109	110

NOTE: UEN's budget history does not reflect Federal and other non-state funding sources prior to FY 2001 Actual. Therefore, a direct comparison across all fiscal years using data included above is not accurate.